

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF ALLEGHENY
HEALTH, EDUCATION & RESEARCH
FOUNDATION,

Plaintiff,

v.

PRICEWATERHOUSECOOPERS LLP,

Defendant.

Civil Action No. 00-684

Judge David Stewart Cercone

**SUPPLEMENTAL APPENDIX TO MEMORANDUM IN SUPPORT OF PWC'S
MOTION TO EXCLUDE TESTIMONY CONCERNING CERTAIN DAMAGES
THEORIES PROFFERED BY R. BRUCE DEN UYL THAT DO NOT COMPORT
WITH APPLICABLE LEGAL STANDARDS**

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TAB 30

In The Matter Of:

AHERF v.
PRICEWATERHOUSECOOPERS, LLP

DANIEL L. STICKLER
May 9, 2003

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STICKLER, DANIEL L.



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A. I don't recall.

Q. Did you ever come to learn about the level of managed care penetration in Philadelphia?

A. I would assume I did, but I don't recall. You know, that would have to be included in financial projections that were done.

Q. Do you recall whether the market in Philadelphia was a difficult one, even if you don't recall any of the details of it?

A. I don't recall, no.

Q. And you said in the time that you had been at AHERF, under the circumstances you didn't have a chance to study the market, to the best of your recollection, or to speak with management about what it was doing, to the best of your recollection, to deal with those problems?

MR. WITTEN: Objection.

A. I don't think I said I didn't have a chance to speak with management. I said I don't recall having specific discussions with management.

I do not recall us having done a market analysis because, as I indicated, very

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A. Not that I can think of, no.

Q. You don't recall ever preparing any reports, or anything like that, that described the market conditions?

A. I didn't prepare any, and I don't believe our firm did prepare one during that time period.

Q. When you arrived at AHERF in 1998, do you recall which hospital CEOs you might have had any interactions with?

A. All of them that were in place at the time. I was in a management role and all of them that were in place at the time had direct reporting relationships to me. That would have been Meg McGoldrick, Gebar. Gee, I don't remember the guy's name over at Graduate.

Q. Is that Robert Matthews?

A. Yes. And I don't remember the names at the other smaller hospitals, either.

Q. Do you recall that Galvin Bland was working at St. Christopher's Hospital for Children?

A. I recall him having been there while I was there, and I think he was there at the time

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early on our emphasis was changed from a turnaround to survival through this bankruptcy process, which was much more short-term.

Q. Did you perform any analysis of what steps management had been taking over time in the Delaware Valley region?

A. No, I did not. We made a conscious decision that our job at that point in time was looking forward, to deal with whatever we had to deal with in the time period we were in, that if somebody wanted to investigate or review the past, that was a different job, and whoever was responsible for it could do it.

Q. Would looking at any documents about the conditions in the Philadelphia region help to refresh your memory or would I essentially just be putting documents in front of you that would --

A. You would be wasting your time, I think.

Q. Is there anything you could think of, perhaps documents The Hunter Group generated, that I could show you that would help to jog your memory about market conditions in Philadelphia?

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I came. I'm pretty certain he was.

Q. Did you have any interactions with the provost or dean of the university that AHERF owned?

A. Yes, both of them.

Q. Do you recall the names of those individuals?

A. I don't recall the name of the provost. I recall the name of the dean was Barbara Atkinson.

Q. Do you recall that the provost was Leonard Ross?

A. I think you're right. Well, wait a minute. Wait a minute. I'm not certain whether that's a name of the person that was there at the time we came in or the name of the person that was brought in after we left. So I'm not certain which one of those it was, to be honest.

Q. Do you recall the names of any of the other members of AHERF management that you might have dealt with at the time you arrived in 1998?

A. I dealt with all the department chairmen of the school. I don't recall the names of the individuals. I'm sorry, I don't recall

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 2 their names now.
 3 Q. By the time you arrived at AHERF in
 4 1998, was Sherif Abdelhak no longer employed
 5 there?
 6 A. Yes, he was gone.
 7 Q. And was David McConnell already gone?
 8 A. David was still there.
 9 Q. And Nancy Wynstra was still there?
 10 A. Was still there.
 11 Q. Did you have chances to interact with
 12 the two of them?
 13 A. Limited chances to, yes. Not too
 14 long after I was there the legal services for the
 15 eastern operation was separated from the
 16 corporate legal services, and they began
 17 reporting to me instead of to Nancy. Not too
 18 long after we got there, Dave McConnell
 19 departed. And I don't remember much discussion
 20 with him at all.
 21 Q. You said the eastern region legal
 22 department was reporting to you after you got
 23 there, after some time?
 24 A. Not too long after I got there, yes
 25 Because we were in the process of paring it down.

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 2 Q. Paring down the legal department?
 3 A. Yes, as we were with all the expenses
 4 we could pare down.
 5 Q. Do you recall that outside law firms
 6 were brought in to assist AHERF with its legal
 7 services at the time?
 8 A. I recall that they were using some
 9 external legal counsel in addition to the paid
 10 staff, yes.
 11 Q. Do the names of either Kirkpatrick &
 12 Lockhart or Hahn Losier ring any bells as the
 13 names of those firms?
 14 A. My recollection is that Hahn Losier,
 15 if I'm not mistaken, was the bankruptcy counsel
 16 that was brought in by corporate AHERF, and
 17 Kirkpatrick & Lockhart I think was legal counsel
 18 to corporate in Pittsburgh.
 19 Q. Does the name of the law firm Foley &
 20 Lardner ring any bells as well?
 21 A. Yes.
 22 Q. Do you recall what their role was?
 23 A. They were assisting the eastern
 24 operations relative to the -- there was in
 25 process at the time, if I recall correctly, an

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 2 attempt to sell part of the hospitals in the
 3 eastern operation, and they were assisting with
 4 that transaction that was being dealt with by
 5 investment bankers. And they had assisted with
 6 some other work during that process, internal
 7 corporate work, I would say, as opposed to
 8 bankruptcy work.
 9 Q. Was the sale that you are referring
 10 to the sale of the Philadelphia region hospitals
 11 to Vanguard at the time that you arrived?
 12 A. There was a -- discussions were going
 13 on about selling some portion of the Philadelphia
 14 region hospitals to Vanguard at the time, yes.
 15 It wasn't all the eastern hospitals, I don't
 16 believe.
 17 Q. At the time you arrived, did you have
 18 the sense that the hospital CEOs who you
 19 interacted with were doing the best that they
 20 could under the circumstances?
 21 A. I don't know that I was in a position
 22 to make that call that quick. You know, we
 23 thought we could put together a turnaround plan
 24 that would help to improve the financial
 25 situation if we had enough time to do it. There

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 2 wasn't enough time to do it. We didn't get into
 3 it very deeply.
 4 Q. So you didn't have enough time to put
 5 together a turnaround plan?
 6 A. There wasn't enough money to operate
 7 with to do it.
 8 Q. So you never, in fact, put together
 9 even a plan?
 10 A. We put together a 30,000-foot level
 11 estimate of what we thought we could do and how
 12 long it would take to do it and how much money we
 13 would need to operate in order to survive long
 14 enough to do that. We did put that together.
 15 Q. But you never got a chance to test
 16 out the plan or actually implement it?
 17 MR. WITTEN: Objection.
 18 A. Never got any money from anybody to
 19 carry through to do it.
 20 Q. So you can't say as you sit here
 21 today whether the plan would have worked or not?
 22 A. We thought it would or we wouldn't
 23 have proposed it, but we don't know unless it's
 24 tested.
 25 Q. And you said your role was not to

17 (Pages 65 to 68)

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1 evaluate what management had done in the past,
2 and the goal was just to look forward; is that
3 right?

4 A. That's exactly right. And we made
5 that as a conscious decision, because we had a
6 very heavy full-time effort to try to lead that
7 organization through the process it was going
8 through, and we felt -- I felt very strongly that
9 it was not our responsibility and it would be a
10 distraction of management to spend our time
11 looking back trying to figure out what somebody
12 did right or wrong. It was immaterial to us at
13 that point.

14 Q. Would part of putting together a
15 turnaround plan have entailed studying the market
16 conditions under which AHERF operated?

17 A. It would have had we done the full
18 plan, yes.

19 Q. And you said you didn't get a chance
20 to study the market conditions?

21 A. No.

22 MR. WITTEN: Objection.

23 A. We did not. In my recollection, we
24 did not.

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1 Hunter Group?

2 A. I don't remember who was sent to the
3 project. As I said, we restructured the project
4 very rapidly very soon after we were there

5 Q. We will come to that, and I will show
6 you some documents with names of people.

7 Do you recall what were the
8 components of the 30,000-foot plan that you just
9 mentioned?

10 A. I really don't.

11 Q. Is that just an internal plan that
12 you had formulated that was thought about at The
13 Hunter Group?

14 A. It was something that the members of
15 the team that we still had there at the time, and
16 the members of the management team that were
17 there in Philadelphia, i.e., the dean and the
18 provost and the hospital CEOs, put together based
19 on, as I said, a 30,000-foot level look on our
20 part, and then asking them what were the
21 opportunities for cost reductions.

22 And I don't want to overstate the
23 detail of that because, and I repeat, it was
24 looking at it on very rapidly the 30,000-foot
25

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1 Q. And in your experience, does the
2 feasibility of a turnaround plan and what steps
3 you take in implementing a turnaround plan depend
4 upon the market conditions in which a hospital
5 operates, or a hospital system?

6 A. As I indicated, we did a 30,000-foot
7 level look at what we thought we might be able to
8 do because we were working under a very short
9 time constraint, and we had to get money fast in
10 order to stay alive. And we did not have time to
11 do such an analysis. If we had done a full
12 14-week or 16-week performance improvement plan,
13 then we would have taken a look at the market
14 conditions and the strength of the organization
15 and projected what we thought they could do in
16 that market condition.

17 Q. But you didn't have the chance to do
18 that under the circumstances?

19 A. Right. We didn't even keep our
20 marketing person on the job.

21 Q. Your person who conducted market
22 studies?

23 A. Yes.

24 Q. Do you know who that was at The
25

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1 level.

2 Q. And you said that this was a plan,
3 you know, at the 30,000-foot level, without
4 details, that you formulated in conjunction with
5 discussions with the hospital CEOs of AHERF?

6 A. Yes.

7 Q. Was Tony Sanzo involved in any of
8 those discussions?

9 A. I'm certain that -- I don't know
10 whether he was involved in the process of putting
11 it together, but I'm rather certain that it was
12 reviewed and discussed with him once it was put
13 together.

14 Q. And were any members of AHERF's board
15 involved in those discussions?

16 A. No.

17 Q. Either --

18 A. No. Not with me, at least.

19 Q. Backing up for a moment, in addition
20 to the various CEOs you have mentioned and Nancy
21 Wynstra and David McConnell, did you have a
22 chance to work with any AHERF board members
23 throughout your engagement with AHERF?

24 A. There was one or two occasions in
25

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just trying to survive at the moment of the bankruptcy, or when AHERF filed for bankruptcy?

A. Yes, that's about when it happened.

Q. And then during the course of the bankruptcy process, at some point in time there came a point where there was actual real thought about developing a closedown plan or winddown plan; is that right?

A. There was a point at which we were at risk of running out of cash completely and not being able to make payroll, and I took it to the Creditors Committee and presented to the Creditors Committee a plan to -- a date by which we felt a decision had to be made to either provide more cash or to have a sale transaction, or start implementing a five-day shutdown period. And the plan was to at the end of five days have a chain link fence up around all the properties, and all the patients, all the students and all the faculty and all the research and everything gone.

Q. Do you recall, was that discussion before the bankruptcy or after the bankruptcy?

A. Afterwards. Afterwards. It was as

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hospitals and the university or just some?

A. Yes, it would have been a shutdown of everything.

Q. Do you recall what the reaction was -- and you said this was a presentation to the Creditors Committee?

A. Yes.

Q. Were any AHERF trustees present?

A. I don't recall.

Q. Do you recall what the reaction was of the members of the Creditors Committee?

A. I think we were all horrified at the prospect of starting into that kind of a process.

Q. And do you recall any other reaction by the Creditors Committee?

A. Not specifically, no.

Q. And so at that point in time do you recall what the decisions were that you were choosing between, as opposed to shutting down entirely?

A. I wasn't making those decisions at that point in time.

Q. So you were proposing either sale or shutdown?

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we were coming toward the end of the debt financing.

Q. And at that point in time, do you recall if there was an auction process going on as to all the AHERF hospitals before the Bankruptcy Court?

A. I'm not familiar with the exact definition of that, but I know that the investment bankers were working at trying to get competitive proposals for the sale of the organizations, yes. We were working in support of that.

Q. So there were still sale processes going on at that point?

A. When?

Q. I'm sorry, at the point in time where you had your proposal about potentially shutting down.

A. Yes. That was -- either it had to be sold or it had shut down or somebody had come up with more money. Those were the only three options.

Q. In terms of the plan for shutdown, would it have been a shutdown of all the AHERF

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A. I was trying to -- I guess I was trying to be certain everybody understood the urgency of the situation and the terrible consequences of one of the routes.

Q. Did you have any sense of whether shutdown was a real possibility in the sense of was that --

A. Oh, I was afraid it was. I mean, we didn't put the plan together for a joke. We put it together because we felt that it may very well have to be done. And I even told them I was going to wear a bulletproof vest if we started through that process.

Q. And I take it there was huge at that time public concern, as far as you know, from the press, or discussions?

A. I don't know that the possible shutdown plan ever got into the press. I don't think it did. I don't recall.

Q. Did you have interactions with either the press at the time --

A. No.

Q. -- or with public community groups?

A. No. Our Hunter Group position always

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1 DANIEL STICKLER
 2 is if the client is going to have interaction
 3 with the press, then the client does it, we
 4 don't.
 5 Q. Was the fact of The Hunter Group's,
 6 you know, work at AHERF publicly known at the
 7 time?
 8 A. Oh, yes. Oh, yes. That was well
 9 known.
 10 Q. And do you know how it came to be
 11 well known? I mean, did --
 12 A. I don't know.
 13 Q. Did AHERF release a press
 14 announcement saying that?
 15 A. I don't remember.
 16 Q. Are engagements by The Hunter Group,
 17 to the extent you know, ever kept secret in terms
 18 of the work it does for various hospitals?
 19 A. Not that I know of. You can't keep
 20 something like that secret.
 21 Q. You mentioned that you appeared at
 22 various AHERF eastern region board meetings from
 23 time to time.
 24 A. Yes.
 25 Q. Did you have discussions with the

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 2 Brown, because of her work as interim president?
 3 A. Because of her role as interim
 4 president, yes.
 5 Q. Were there any members of AHERF's
 6 Pittsburgh board, or the AHERF parent board, that
 7 you had more occasion to interact with than
 8 others?
 9 A. I don't recall. I don't even recall
 10 whether there were members of the Pittsburgh
 11 board on the eastern board or not. I don't
 12 remember.
 13 Q. Do you recall ever having
 14 interactions with William Snyder, III?
 15 A. I obviously know the name. As I
 16 said, I attended one AHERF board meeting. I knew
 17 the name from the years I had been in
 18 Pittsburgh. So he wasn't a total stranger at
 19 that point in time. I don't recall specific
 20 interactions with him, no.
 21 Q. Do you recall at any point in time
 22 ever hearing that AHERF had paid off an \$89
 23 million, or almost \$90 million line of credit
 24 that it had with the Mellon Bank?
 25 A. That was in the news and every place,

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 2 AHERF eastern region board about the 30,000-foot
 3 level plan you mentioned?
 4 A. My assumption is I did, but I don't
 5 know specifically.
 6 Q. Do you recall any of the members of
 7 the eastern region board who you dealt with
 8 because perhaps you had more interaction with
 9 them than others?
 10 A. Well, the chairman of that board's
 11 last name was Palmer, if I'm not mistaken.
 12 Dorothy Brown was a member of that board.
 13 I can't think of any other names
 14 right now.
 15 Q. Is there any reason that Dorothy
 16 Brown's name and Mr. Palmer's name stick out more
 17 than others in your mind?
 18 A. If I'm not mistaken, Mr. Palmer was
 19 the chairman, and Dorothy Brown was assisting in
 20 a role as the interim president of the university
 21 during that bankruptcy process.
 22 Q. And did you have more occasion to
 23 interact with Mr. Palmer because he was chairman?
 24 A. Yes. Yes.
 25 Q. And the same with Dorothy McKenna

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 2 but that's about as much as I know about it, is
 3 what was public again. I didn't choose to look
 4 back and try to figure out what happened. And I
 5 figured it was none of my business at that point.
 6 Q. Did you ever have occasion, even if
 7 you didn't look into it on your own, to discuss
 8 with either members of The Hunter Group or AHERF,
 9 either trustees or management, the repayment of
 10 the Mellon line of credit?
 11 A. It had been done by the time I became
 12 aware of it, and I had no reason to spend my time
 13 on it. That was a perfect example of the kind of
 14 thing that I felt would be a deflection of our
 15 attention, to put our attention to.
 16 Q. So you didn't have any discussions?
 17 A. No.
 18 Q. Do you know if anyone at The Hunter
 19 Group was engaged in any discussions relating to
 20 looking back at some of these events?
 21 A. No, I don't think so. I was the head
 22 of the engagement team, and my direction was very
 23 clear on that issue. I can't tell you that
 24 somebody didn't out of curiosity go against my
 25 direction, but...

21 (Pages 81 to 84)

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1 DANIEL STICKLER
 2 MR. WITTEN: Can we take a break,
 3 Kevin?
 4 MR. TERUYA: Sure. Off the record,
 5 please.
 6 THE VIDEOGRAPHER: Going off the
 7 record. The time is 10:47 a.m.
 8 (A recess was taken.)
 9 THE VIDEOGRAPHER: Returning to the
 10 record, the time is 10:59 a.m. This marks the
 11 beginning of Tape No. 2.
 12 MR. TERUYA: I would like to mark as
 13 Exhibit 1552 a document bearing Bates numbers
 14 PR-MM-06-1925 through 1932. And it appears to be
 15 a fax dated July 8, 1998, from Kathleen
 16 Hendrickson, to Mike Martin at AHERF, and it's
 17 forwarding a letter that appears to be from
 18 Thomas McCool of PNC Bank and David Stevens of
 19 MBIA to members of the board of trustees of
 20 AHERF, dated July 7, 1998, and it appears to copy
 21 Anthony Sanzo, CEO, and David Hunter.
 22 (Deposition Exhibit 1552
 23 for identification, document Bates stamped
 24 PR-MM-06-1925 through PR-MM-06-1932.)
 25 BY MR. TERUYA:

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 2 A. I heard that there was potentially
 3 dollars available to carry through this time
 4 period, but that it was contingent on the
 5 relationship with the western operations, and
 6 that that wasn't being receptive, or something of
 7 that nature. I don't remember specifically.
 8 Q. When you say dollars available, do
 9 you mean dollars available from any source, or
 10 did you have some particular source in mind?
 11 A. I don't remember whether it was this
 12 particular source or not.
 13 Q. Do you recall ever learning that --
 14 A. I think I remember in the Creditors
 15 Committee at least one time PNC having referred
 16 to AHERF rejecting that offer, or something of
 17 that nature.
 18 Q. This is an offer for financing of
 19 some sort from PNC to AHERF?
 20 A. Aren't they party to this one?
 21 Q. Oh, yes, they are. I just was seeing
 22 what you remembered.
 23 A. So I don't know whether that was the
 24 specific one he was referring to or not.
 25 Q. For the moment, setting aside the

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 2 Q. Just let me know when you have had a
 3 chance to look through it.
 4 A. I'm not going to read it all, so you
 5 go ahead.
 6 Q. What I was going to ask you, do you
 7 recognize this document at all?
 8 A. I don't recognize it specifically,
 9 no. I think I recall hearing someplace that it
 10 existed, but I don't recall having seen it.
 11 Q. Do you recall where you might have
 12 heard about its existence from?
 13 A. No, I don't.
 14 Q. Did you talk with David Hunter at the
 15 time about the AHERF engagement?
 16 A. I couldn't answer that question. I
 17 really don't know.
 18 Q. Not about the letter, but I mean
 19 during the course of the AHERF engagement, were
 20 you having regular talks with him?
 21 A. Oh, yes. Yes, I had regular
 22 conversations with him.
 23 Q. Do you recall what you might have
 24 heard about the letter, other than the fact of
 25 its existence?

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 2 letter, you recall that at some point in time
 3 there was an offer from PNC to AHERF for
 4 financing?
 5 A. It was hearsay information to me.
 6 But I do recall having heard that, yes.
 7 Q. And what do you recall your reaction
 8 was to hearing that, or what do you recall about
 9 that?
 10 A. I guess my reaction was something
 11 along the lines of focusing strictly on my
 12 responsibility for that group of institutions,
 13 that it was unfortunate that these two parties
 14 didn't seem to be able to arrive at a conclusion
 15 that would do what needed to be done for the
 16 institutions. I didn't presume to pass judgment
 17 on it. I figured that's not something I could do
 18 anything about it, and I wasn't going to spend a
 19 lot of time on sweating it out.
 20 Q. Do you recall when this was? Was
 21 this in June of '98?
 22 A. I notice the date on this thing, but
 23 I don't recall specifically when it was.
 24 Q. In relation to the bankruptcy, do you
 25 recall if it was before the bankruptcy?

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A I thought it was before. My recollection is it was before the bankruptcy.

Q And it was obviously at some point after your arrival, which was, as you said, a couple of months in front of the bankruptcy, or a month or so in front of the bankruptcy?

A I don't remember exactly, but I don't think it was very long before the bankruptcy.

Q In your view, could acceptance or agreement between AHERF and PNC as to some kind of financing arrangement have helped AHERF's financial condition in '98?

MR. WITTEN: Objection.

A I said earlier we had put together a 30,000-foot plan as to what we thought we had to have to get it to the point of avoiding bankruptcy. And I don't remember whether this number was consistent with that plan or not, to be honest with you.

Q When you said that there was some condition upon the financing that related to the involvement of the west, what did you mean by that?

A My recollection was that -- and this

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didn't have a recollection before that.

Q Is it consistent with your recollection that we are talking about a significant amount of money?

A Yes.

Q Do you see the reference down on the page with the number ending in 1926 on the bottom right? It's the first page of the letter, the July 7 letter. Do you see the paragraph that starts out "Moreover" down at the bottom, and continues on to the next page?

A Yes.

Q I'm sorry, it's all on this page. Do you see it says, "Moreover, at a time when the AHERF system had already manifested serious financial problems, the board nonetheless allowed the withdrawal from the AHERF system in April 1998 of almost \$90 million to repay, and thereby prefer as to all other creditors, Mellon Bank, an action which drained the AHERF system of desperately needed liquidity at a critical juncture."

A I see that, yes.

Q Do you recall ever hearing anything

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refreshed my memory when I looked at it, to be honest with you -- that there was a condition that the assets of the west had to be pledged in order to achieve the financing. And my recollection was that that was a stumbling point.

Q That AHERF was, for whatever reason, unwilling to accept that condition?

A Or PNC was, for whatever reason, insisting on it.

Q And you said it was unfortunate. I take it that's just because of the obvious point that whatever money was available could have helped the situation?

A Yes. My focus was on that group of organizations, and...

Q Do you recall if the dollar amounts were significant that were involved?

A I just saw one in here, a number of 160 million, didn't I, when I looked at this? Or did I not?

Q There is a reference of a maximum of up to 160 million, and I don't know what recollection you might have about the amounts.

A Only what I saw when I saw this. I

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along those lines?

A We talked about that earlier and, as I said, it was in the newspaper. It was everywhere. And so I don't know where I heard it, but I became aware of it, yes, of that dispute.

Q Did you have any view as to whether that repayment was something that hurt the AHERF system?

A That was history that I couldn't change, and I didn't spend any time thinking about it.

Q Would you have made that same decision to repay?

A I don't know the situation. I couldn't decide on that.

Q Would an additional \$90 million in money at the time have helped the situation, in your view?

A I don't remember the amount of dollars we felt we needed in the turnaround. I don't remember when this happened, or how much of it may have been, pardon the expression, pissed away if they hadn't done that and still not been

23 (Pages 89 to 92)

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 2 available. I don't have any way of knowing
 3 Q. I take it at the time you would have
 4 at least wanted 90 more million dollars? That
 5 would be something that was useful?
 6 A. There was a number we felt we had to
 7 have, and anything less than that we weren't
 8 willing to tackle it on. And I don't remember
 9 what that number was.
 10 Q. \$90 million in combination with other
 11 sources of financing collectively might have
 12 gotten you to that number?
 13 A. Let's go back and look at what the
 14 number was, and that's the answer to the
 15 question.
 16 Q. So 90 million would have at least --
 17 A. You're trying to put words in my
 18 mouth now.
 19 Q. I'm just asking you --
 20 A. I mean, if grandmother had 150
 21 million, that would have helped. You know,
 22 anything would have helped if you had been able
 23 to assemble the total amount necessary to work
 24 through that turnaround plan.
 25 Q. So any significant amount of money

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 2 would have helped if in combination it added up
 3 to whatever was the figure you came out with?
 4 A. Yes.
 5 Q. Going back to the 30,000-foot
 6 turnaround plan you mentioned, you mentioned that
 7 the goal was in the short term to come up with
 8 various kinds of cost reduction. What was the
 9 sort of purpose for reducing costs in the short
 10 term? What would that have allowed AHERF to do?
 11 Just to avoid bankruptcy?
 12 A. The original goal was to do a
 13 long-term turnaround plan. Then it changed very
 14 rapidly into a plan -- get enough money and
 15 implement enough cost reduction steps to be able
 16 to avoid the cash flow crisis and bankruptcy,
 17 yes.
 18 Q. And once costs had been reduced to a
 19 certain level to avoid bankruptcy, what would the
 20 goal then be, if you were able to obtain that
 21 goal?
 22 A. Then it would have been to put
 23 together a long-term turnaround plan, or at least
 24 I assume that would be
 25 Q. So the goal would have switched back

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 2 to trying to come up with a turnaround plan?
 3 A. Yes.
 4 Q. And would part of that turnaround
 5 plan have been trying to find ways to enhance
 6 revenues as well as reduce costs?
 7 A. I'm sure it would have been, yes.
 8 Q. In order to come up with that plan,
 9 that's where you said you would perform an
 10 evaluation of the market?
 11 A. Yes.
 12 Q. Was there anything else you would do
 13 in addition to performing the evaluation of the
 14 market?
 15 A. We would have done our total --
 16 assuming the client was willing, we would have
 17 done our total performance improvement program,
 18 and that looks at every aspect of the
 19 organization, from top to bottom, productivity,
 20 supplies, market analysis, contracting, you know.
 21 Q. Would you look at what strategies
 22 management and the board had pursued in the past?
 23 A. No. Only to the extent that
 24 something jumped out as having been an obstacle
 25 to the future.

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 2 Q. Would you look at what was the
 3 performance of whatever strategy management and
 4 the board had pursued in the past?
 5 A. Only to the extent that it jumped out
 6 as a potential obstacle to the future. I mean,
 7 it would not have been a retrospective study as
 8 to who screwed up or who didn't.
 9 Q. I mean, would you look at what
 10 challenges the board and management had faced in
 11 the past in assessing what to do going forward?
 12 A. Probably not. Again, it's
 13 forward-looking. It's where are you today, what
 14 can you do today to be better tomorrow. And
 15 whether you got here because of this or this or
 16 this is immaterial as far as we were concerned.
 17 Q. And that's the standard practice that
 18 you employed in engagements at the time?
 19 A. Yes.
 20 Q. In terms of that standard practice
 21 you employed, when you say you would have studied
 22 the market, would you have studied the
 23 performance of certain kinds of strategies in
 24 that market? In other words, would you have
 25 tried to judge what a given strategy in the

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2 abstract, how it does in a given market, given
3 the market conditions?4 A. We would have looked at what their
5 market share was today, who their competitors
6 were, what their strengths and weaknesses are,
7 what our strengths and weaknesses were, and
8 drawing on our knowledge of strategies that
9 potentially might work, we would bring that to
10 bear, too, yes.11 Q. Would you look at how the strategies
12 that had been pursued by competitors and by your
13 client itself had fared in the given market?

14 A. Probably not in that regard, no.

15 Q. Do you recall any engagements --
16 actually let me strike that.17 And you have said that you didn't
18 have time to do any of that, look at the market
19 conditions or to form any kind of turnaround plan
20 in your time at AHERF because you didn't have the
21 time to do it; is that right?22 A. Well, you just said any kind of
23 turnaround plan, and that cost reduction plan to
24 get through to positive cash flow was, in fact, a
25 bit of a turnaround plan. It wasn't what we

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2 records of the various members of the AHERF
3 system."4 Had you ever heard anything about any
5 kinds of loans or other kinds of arrangements
6 between the west and east at AHERF at any time?7 A. I'd hear hearsay conversations, but
8 nothing that I, you know -- you've got to be a
9 better source of information than me for those
10 kinds of things.11 Q. Do you recall what you heard, just at
12 a general level?13 A. That money from the west -- or the
14 east had been used to support some of the
15 activities in the west. I heard that in general
16 conversation. Whether it's true or not, I
17 couldn't support it. And, again, it was
18 immaterial to me at that point in time.19 Q. Did you recall hearing at the time
20 that the west, or the AHERF board, had decided
21 that the west funds would no longer be used to
22 subsidize the operations of the east?23 A. I think I told you a few minutes ago
24 that I heard that they had said that they would
25 not guarantee the debt. That's all I recall

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2 would consider a real turnaround plan. It was
3 what would meet the needs of the organization at
4 that point in the crisis. We did do that, yes.
5 We did it at the 30,000-foot level. We didn't
6 have time to do it any further than that.7 Q. But you didn't perform any analysis
8 of the market and competitors and the like that
9 you said you would need to formulate a plan?

10 A. As I said before, no, we did not.

11 Q. I guess, referring for a moment back
12 to Exhibit 1552, do you see the line in it, the
13 third paragraph, that says, "We have heard that
14 the AHERF board has recently expressed strong
15 reservations with respect to making the credit of
16 the west available to support the east. The
17 board's current position is inconsistent with its
18 actions in the past and is particularly
19 unfortunate in view of the system-wide need for
20 financing. Until now, the board has had no
21 reservation about attempting to adjust
22 intercompany obligations or about using very
23 substantial sums over an extended period of time
24 for loans, advances and repayments within the
25 AHERF system, as documented by the books and

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2 having heard.

3 Q. In terms of searching for additional
4 financing that could help the situation at AHERF,
5 was that at all part of your responsibilities?6 A. I guess to the extent that I provided
7 supporting information to try to convince
8 somebody that it would be a good investment on
9 their part, particularly if they were a creditor,
10 to put some more money forward to try to preserve
11 their earlier debt, yes.12 Q. Do you recall what sources of
13 financing you contacted at the time?14 A. I was not the primary contact. I was
15 in a supporting role during that time period. I
16 recall having -- being in a supporting role in
17 discussions with MBIA. That's the only one I can
18 recall specifically, and I recall that because we
19 flew up there on Sunday night.

20 Q. That's flying up to Armonk?

21 A. Yes.

22 Q. Do you recall what the purpose of
23 that conversation was?24 A. Tried to convince them to loan us
25 money.

25 (Pages 97 to 100)

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Q. Do you recall when that was?

A. If I'm not mistaken, it was a day or two before bankruptcy, sort of a last-ditch effort.

Q. Who went up with you on that?

A. Sanzo and Hunter and I, and I don't remember whether there was anybody else or not.

Q. And do you recall who the MBIA people were that you met with?

A. I don't remember the names, no.

Q. Do you recall what their positions was?

A. There was the big muckety-muck that we met with that night, and two or three supporting people, but I don't remember the names at this point.

Q. So some high-level person at MBIA?

A. Yes.

Q. And do you recall what kind of financing arrangement you were looking for was, or were you just looking for whatever kind of money was available?

A. We were asking for credit to be given to AHERF at that point in time, a loan to be made

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A. Well, I guess we felt we had a responsibility to the creditors. I think we had responsibility to the corporation. You know, we ran a high risk of throwing the hospitals and the health care organizations into a deep downward spiral. You know, if you don't make payroll in a hospital and the ICU nurses don't show up tomorrow, you've got a pretty big problem. And we were trying to avoid those kinds of problems.

And as the -- you know, we had a difficult struggle to keep the public confidence in the organization so that the patient volumes and the revenues stayed relatively constant during that time period, to keep the Joint Commission from jerking accreditation away from us, to keep the medical school accrediting party from jerking accreditation away from us. There were a lot of reasons.

Q. So just the mere fact of filing for bankruptcy can make that kind of difference?

A. Oh, yes, I think it potentially could have. We worked very hard with those organizations and with the public media and the employees and the medical staff and everybody to

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to AHERF to carry us through that period we were talking about.

Q. Do you recall having any discussion at that point about whether the assets of the west would be needed to be pledged?

A. I don't recall any discussion on that, and I didn't consider myself a party to that question, to be honest with you. Whatever the board decided, they decided, and they didn't, you know...

Q. Do you recall what MBIA's response was at the time to your request?

A. I recall we didn't get the money. I remember that.

Q. Do you recall why you didn't get the money?

A. I specifically don't recall why. I recall we were greatly disappointed, and that was sort of our last-ditch effort.

Q. What was the aversion to filing for bankruptcy, or why did you have that aversion?

A. You mean why did we not want to do it?

Q. At that point in time.

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convince them that, you know, as Churchill said, that we will get through this and we will prevail.

Q. So just the mere fact of filing for bankruptcy can jeopardize, or you thought at the time could jeopardize AHERF's accreditation of the hospitals and the medical school?

A. The individual hospitals are accredited and the medical school is accredited, you know, individually. And it obviously did. I mean, they were out there, to talk at it and look at it immediately, within days.

Q. In addition to that, you said that there would be public concern about the situation if AHERF filed for bankruptcy?

A. Yes. You know, you don't want to go in and have your back operated on tomorrow if you don't know whether the nurses are going to show up for work or not.

Q. Let me try to separate two things out. I mean, if we separate out on the one hand the factors that lead an institution to file for bankruptcy, namely, you know, it doesn't have

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A. It appears to be the engagement letter between The Hunter Group and AHERF relative to the interim management services. I think I stated to you earlier that there was performance improvement planning responsibility. I had thought that was all in one engagement letter. There must have been separate engagement letters, is all I can conclude, because I don't see it mentioned here.

Q. I will just mention, I have a series of engagement letters, and I was just trying to understand the differences between them. So I am taking out new ones, and if you are wondering what I am doing

So does this appear to be the initial engagement letter between AHERF and The Hunter Group?

A. It appears to be, yes.

Q. Do you see the signature on page 4 of the document of Larry Scanlan?

A. Yes.

Q. Was he the president of The Hunter Group at the time?

A. Yes.

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Q. Is he still the president of The Hunter Group, to the extent there is one, at present?

A. I don't know what his exact title is now.

MR. D'ANGEL: He's a managing director at Navigant. He's a Navigant employee now.

Q. Back at the time in 1998, did Larry Scanlan have any kinds of involvement in the AHERF engagement, other than signing off the engagement letter, to your knowledge?

A. Not to my knowledge. He may have had in relationship to David Hunter, but I don't recall in relationship with me.

Q. And do you recognize this to be his handwriting on page 4?

A. No.

Q. You don't know?

A. No.

Q. But you don't have any reason to believe that this is not the engagement letter?

A. No.

Q. And at this point in time, is it

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correct that this was an engagement letter just for services by you and David Hunter in terms of providing interim management services?

A. That's what I see here, yes.

Q. And at the time do you know why or what was the objective in terms of obtaining interim management services from The Hunter Group, if you know?

A. If I'm not mistaken, this was within days after the departure of Sherif and Donald Kaye, the eastern regional executive, and they were trying to plug a hole, I think.

Q. Do you remember who contacted whom? Did AHERF contact The Hunter Group, or vice versa?

A. I don't know. I was riding down the Coroner Turnpike in Ohio with my wife when I got a call on my cell phone that said can you be in Philadelphia Monday morning.

Q. That was on a Friday, you said, they gave you a call, and said be at work on Monday?

A. Friday or Saturday.

Q. And you were in Ohio, you said, at the time?

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A. Yes.

Q. Was that on a different engagement?

A. No, I was visiting my in-laws.

Q. At that time you were still residing down in Florida?

A. Yes.

Q. Did you have to move up to Pennsylvania for the AHERF engagements?

A. No. I got a corporate apartment there in town, and used that, and went home on weekends when I could.

Q. Were most of the members of the engagement team from The Hunter Group who worked at AHERF residents of Pennsylvania?

A. I couldn't even --

Q. Or put differently, were there a lot of people who were in the same boat as you, coming from Florida to Pennsylvania, or were there lots of people who were from Pennsylvania?

A. Our people are scattered to live all over the country, and live wherever they want to, and fly to work Monday morning. And one guy on the engagement was from New Jersey, and he drove in. I think he drove in every day most of the

37 (Pages 145 to 148)

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time, and drove back. There was another guy that I think his residence was in Philadelphia, in the Philadelphia area, who drove in and back.

I'm trying to think who else was there. I don't even remember. Honan's residence was in Florida at the time, I think.

Q. Were there any individuals other than yourself who had had management experience in Pennsylvania in terms of running hospitals, who were on the engagement team?

A. Well, David Hunter, of course. Alan Dzija was on the engagement team and had had experience in the Philadelphia area. I don't remember whether he had -- he worked for one of the consulting firms. I don't know whether he had direct hospital experience or not. I don't recall others.

Q. Was David Hunter actually on the engagement team, or did he just arrange for the engagement to occur and then left it to you?

A. He spent some time there. I couldn't tell you exactly how much. But he spent some time there, and he also spent some time on the phone with me relative to it. But my

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The next one is number 1555, and it is a one-page document with Bates number HUNT 4493, and it appears to be a supplemental agreement between Kirkpatrick & Lockhart, or a supplement to an agreement between Kirkpatrick & Lockhart and AHERF, dated June 23, 1998.

(Deposition Exhibit 1555 for identification, document Bates stamped HUNT 4493.)

A. Okay. I'm listening.

MR. TERUYA: While you have this exhibit, let me mark another one that you might need to look at simultaneously, as 1556, which has Bates numbers HUNT 4547 through 4549, and it appears to be a fax from William Cullen to Mr. Huoy of The Hunter Group, dated June 25, 1998, and it appears to be forwarding a signature page of an agreement, and an exhibit to an agreement as well, between Kirkpatrick & Lockhart and The Hunter Group.

(Deposition Exhibit 1556 for identification, document Bates stamped HUNT 4547 through HUNT 4549.)

MR. D'ANGEL: Is that it, just two

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recollection was he was much more present than any other job I've ever been on.

Q. In terms of what you did under this engagement letter, in terms of just plugging the hole, as you described it, left by Mr. Abdelhak and Dr. Kaye, do you recall what you did when you showed up to work on Monday in terms of your responsibilities at that time?

A. I think we went through all that before. We put together -- we started to put together a performance improvement program. Very early on we shifted and put together this crash program.

Q. So that, what you described earlier was part of this engagement, more or less?

A. It's very hard to separate them. You know, as the interim executive, I start approving, putting out orders, and approving requisitions, and cut expense, and reviewing cost, and reviewing cost reports, and that kind of thing.

MR. TERUYA: I don't think I will spend very much time on these next few exhibits, but I just wanted to show them to you.

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pages behind the cover sheet?

MR. TERUYA: Yes, it is three pages in total, a fax cover sheet, a signature page, and an exhibit page of some sort.

A. Okay.

Q. I was just going to ask you, do you recognize Exhibit 1555?

A. No, I don't.

Q. Do you recognize 1556?

A. No.

Q. Do you have any recollection of an agreement entered into between The Hunter Group and Kirkpatrick & Lockhart?

A. I have a vague recollection that some of our work was contracted with or through Kirkpatrick Lockhart, for whatever reason I don't know or recall.

Q. Do you see on the third page of Exhibit No. 1556 there is a document that says Exhibit 1, and it's from The Hunter Group to Kirkpatrick & Lockhart, dated, at least at the top, June 16, 1998, and it says for assistance in developing a near-term cash management and conservation plan?

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2 A. Yes.

3 Q. And then it has a task listing, with
4 a number of tasks, and individuals listed next to
5 it who appear to be Hunter Group members.

6 A. Yes.

7 Q. I was just wondering, do you have any
8 understanding of what this page at least is, the
9 Exhibit I page?10 A. Do I have any understanding of what
11 this page is? I can do interpretation of it, I
12 guess. But do I have a recollection of what it
13 was at the time, no.14 Q. Do you have a recollection of -- or
15 looking at this document, does this appear to
16 describe the plan you described, about trying to
17 formulate a turnaround plan of some sort, or the
18 efforts to formulate a turnaround plan?19 A. It appears that this describes it a
20 little bit differently than a turnaround plan
21 that I described earlier, and now it's making me
22 wonder about my recollection as to whether the
23 initial engagement of this group of people was,
24 quote, a near-term cash management conservation
25 plan or a full-blown turnaround plan. But this

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2 them?

3 A. I may have seen them, probably did
4 see them at some point, but I don't have a
5 specific recollection of that6 MR. TERUYA: I am going to mark as
7 Exhibit 1557 a document with Bates numbers HUNT
8 4500 through 4501, and it appears to be an
9 engagement letter dated July 22, 1998, at the top
10 of it, between The Hunter Group and AHERF, signed
11 by, apparently, Larry Scanlan for The Hunter
12 Group and Anthony Sanzo for AHERF.13 (Deposition Exhibit 1557
14 for identification, document bearing Bates stamps
15 HUNT 4500 and HUNT 4501.)

16 A. Fire away. I'll try to answer you.

17 Q. Do you recognize this document?

18 A. Not specifically, I don't, no.

19 Q. Does this appear to be the engagement
20 letter between The Hunter Group and AHERF dated
21 July 22, 1998?

22 A. That's what it appears to be.

23 Q. Do you recognize David Hunter's
24 signature on the second page of the Exhibit 1557?

25 A. His signature is not on there. Larry

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2 list of individuals are the people that were the
3 team that was developing the plan, or working to
4 develop a plan.5 Q. So originally David Hunter and
6 yourself were hired to fill the hole left or the
7 void left by Mr. Abdelhak and Dr. Kaye?

8 A. Yes.

9 Q. And then this set of individuals,
10 David Hunter, Paul Long, Alan Dzija, Tom Honan,
11 Dean Kinsey, Jeff Gerew and Jack Julius, all came
12 on board to develop some kind of plan, but you
13 are not sure --14 A. To develop a plan to try to stop the
15 bleeding.16 Q. But you are not sure if it was a full
17 turnaround plan or some kind of near-term cash
18 management and conservation plan?19 A. Right. I know that we ended up
20 working on the near-term short one as I told you,
21 the crisis one, instead of the long-term one, and
22 this is the people that came on board to work on
23 that.24 Q. But, again, you don't recognize
25 either of these documents or the signatures on

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2 Scanlan's is -- oh, yes, David Hunter's is, too,
3 I guess. I don't recognize those signatures, but
4 I wouldn't, you know, necessarily recognize
5 them. I don't have any reason to believe it's
6 not theirs.7 Q. Do you have any understanding of what
8 this document is about in terms of the scope of
9 The Hunter Group's engagement by AHERF?10 A. Some of the members of the team are
11 the same members that were described in the June
12 engagement letter, and so my -- and my
13 recollection is that this represents an involving
14 role on people's part. And Bill Bricker was
15 added at that point in time as an additional
16 person. Why it was cast in a new engagement
17 letter, I couldn't answer that specifically.

18 Q. Is this letter --

19 A. One of the reasons we added Bill
20 Bricker at that point in time was that we were
21 having difficulty meeting the, I won't say needs,
22 I'll say demands of all of the consultants to all
23 the parties, and all the potential purchasers,
24 for information, and running into some -- well,
25 we were having difficulty meeting those demands,

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and we needed more help to do it, and that's what Bricker was brought in to help do.

Q. When you say all the parties, do you mean consultants to the members of the Creditors Committee, or who are you referring to?

A. Consultants to the members of the Creditors Committee. I don't know, I think there was somebody who was a consultant to the Creditors Committee. I think every health care consultant in the country had some role in this whole thing. And they were struggling for access to information that we were trying to make available primarily to potential purchasers, and at that time it hadn't been narrowed down to two. There were other organizations who were looking at pieces of it. And we were having trouble trying to control the access to the information to people who were supposed to get it, and to get it to those who were supposed to get it.

Q. So in the June 16 engagement letter, at first you and David Hunter were brought on board, you as the interim chief operating officer and him as the interim assistant to the CEO of

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it was also made clear in that organization that the consulting team would also report to me in my role as interim COO, which is what the chart on the second page was intended to do.

Q. So Dean Kinsey, Bill Bricker, Tom Honan, Alan Dzija and someone else were going to all report to you?

A. Yes.

Q. And was there any reason -- you have already explained why Bill Bricker was brought into the picture. Is there any reason that you added on these other individuals?

A. Those other individuals were on the earlier engagement letter. The team just reassigned some of their responsibilities, but they were already there.

Q. Do you see the first line of Exhibit 1557 says "We are pleased to submit this proposed addendum to the June 16, 1998 interim management agreement"?

A. Yes.

Q. Is this agreement to add on Tom Honan, Alan Dzija, Dean Kinsey and Bill Bricker, and someone else, a supplement to the original

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AHERF, is that right, and also as the engagement director?

A. Interim CEO -- I don't remember the titles. Whatever they are on there. Engagement director -- state the question again, please.

Q. I was just saying, in the June 16, 1998 engagement letter, which I think is Exhibit 1554.

A. Okay.

Q. Do you recall that at that point you and David Hunter were being called in, as you said, to fill certain absences that had been left by departures of AHERF management and that you were going to be the interim chief operating officer and David Hunter was going to be the interim assistant to the CEO of AHERF, who was then Tony Sanzo?

A. Yes.

Q. And then in the June 22, 1998 letter, which is Exhibit 1557, at that point you expanded the team?

MR. WITTEN: Objection.

Q. Is that correct?

A. The team was restructured some, and

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letter where just you and David Hunter are named, Exhibit 1555?

A. It's a little difficult for me to figure out right now based on this as to what role the June 23 addendum plays relative to that and what role this other one plays relative to that.

Q. In terms of developing a near-term or some kind of plan in the short run, was there a reason to bring on individuals other than yourself and David Hunter?

MR. WITTEN: Objection.

Q. From your perspective, from The Hunter Group's perspective.

A. Say that question again.

Q. In other words, in connection with developing a plan, whether it be a turnaround plan or a cash conservation plan, was there any reason that you brought on the particular individuals you did to the AHERF engagement?

A. Yes. I mean, we needed help in trying to figure out, put together that 30,000-foot level plan, as to where we thought we could make cuts and how much it would take to

TAB 31

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 1997

10/29/97
03:45 PM

DB-CM-18-01302

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

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JUNE 30, 1997

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DB-CM-18-01303

DB-CM-18-01304

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
STATEMENTS OF OPERATIONS
for the twelve months ended June 30, 1997
(Dollars in thousands)

CURRENT MONTH				CURRENT YEAR TO DATE			PRIOR YEAR
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE	ACTUAL
Revenue							
Centralized service	\$1,162	\$0		\$13,938	\$13,938	\$0	\$14,541
Investment income	5,448	4,761		41,281	8,250	33,031	35,620
Net assets released from restrictions	19,442	1,669		36,663	19,027	17,636	0
Other revenue	371	104	267	14,150	1,251	12,899	917
Total revenue	26,423	3,622	22,801	106,032	42,466	63,566	51,078
Expenses							
Salaries, wages, and fees	10,457	5,860	(4,597)	93,754	71,727	(22,027)	67,474
Fringe benefits	1,616	595	(1,021)	11,860	6,104	(5,756)	5,366
Purchased services	9,146	(6,623)	(15,769)	(32,761)	(79,345)	(26,584)	(62,722)
Administrative and general	2,571	1,237	(1,334)	19,497	13,015	(6,482)	8,057
Depreciation and amortization	306	683	377	8,828	8,200	(628)	6,599
Unusual item - reduction in workforce cost	0	0	0	0	0	0	2,388
Total expenses	24,096	1,752	(22,344)	81,178	19,701	(61,477)	27,162
Net Income	\$2,327	\$1,870	\$457	\$24,854	\$22,765	\$2,089	\$23,916

DB-CM-18-01305

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ALLEGHENY HEALTH, EDUCATION AND RESEARCH FUND
STATEMENT OF CHANGES IN NET ASSETS
for the twelve months ended June 30, 1997
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Balance, June 30, 1996	\$120,533	\$32,788	\$43,796
Net income	24,854	0	0
Unrealized appreciation/(depreciation) of investments	(3,395)	(4,046)	6,732
Support from ACH for:			
AIHQ Operations	10,981	0	0
AIHQ Capital	6,208	0	0
AURS - Dean's office	250	0	0
Allegheny Institute for Cellular Therapy	500	0	0
AHSFIC	552	0	0
POMA Purchase	18,000	0	0
Support from DV for:			
AIHQ Operations	39,827	0	0
AIHQ Capital	6,168	0	0
AHSFIC	3,082	0	0
Thermostat Expansion	125	0	0
Support from AUMC for:			
Thermostat Expansion	101	0	0
AIHQ Operations	2,228	0	0
POMA Purchase	2,000	0	0
Support to AIHQ for:			
Capital	(12,476)	0	0
Operations	(51,136)	0	0
POMA Purchase	(20,091)	0	0
Support to ASRI for:			
Telecommunication grant	(915)	0	0
Support to AURS for:			
Dean's office	(687)	0	0
Allegheny Institute for Cellular Therapy	(375)	0	0
PHI Development	(184)	0	0
Capital Project Transfers to:			
ACH	(13,800)	0	0
MCPH	(6,392)	0	0
EPH	(2,131)	0	0
BCH	(2,133)	0	0
SCHC	(8,523)	0	0
RUH	(6,475)	0	0
AURS	(4,624)	0	0
Pittsburgh Free Dispensary	115	0	0
Endowment matching	(4,110)	0	0
Net assets released from restrictions	0	(36,663)	0
Increase in DHG Investment	127	0	0
Balance, June 30, 1997	<u>\$98,404</u>	<u>\$13,079</u>	<u>\$50,528</u>

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ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
STATEMENT OF CASH FLOWS
for the twelve months ended June 30, 1997
(Dollars in thousands)

Cash flows from operating activities:	
Net income	\$24,854
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	8,828
Increase/(decrease) in cash and short-term investments from changes in:	
Other receivables	(15,659)
Prepaid expenses	(2,278)
Other assets	(71,704)
Accounts payable	23,516
Self-insurance liabilities - current	8,921
Accrued expenses	71,764
Self-insurance liabilities	7,363
Other noncurrent liabilities	41,083
Net cash provided by operating activities	96,688
Cash flows from investing activities:	
Increase in assets limited or restricted as to use	(77,488)
Purchases of property and equipment, net	(36,054)
Endowment matches	(4,110)
Pittsburgh Free Dispensary	115
Other	127
Net cash used by investing activities	(117,410)
Cash flows from financing activities	
Book overdraft	(11,017)
Net change in intercompany accounts	27,381
Net transfers from affiliates	4,358
Net cash provided by financing activities	20,722
Net increase in cash and short-term investments	0
Cash and short-term investments at beginning of year	0
Cash and short-term investments at June 30, 1997	\$20

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